Moretele Local Municipality
Annual Financial Statements
for the year ended June 30, 2017

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main business operations of the municipality local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public. Water is distributed to the consumers by the municipality; and Water Services-Supplying water to the public
Grading of local authority and Municipal demarcation Code	Grade 3 and NW 371
Accounting Officer	Maroga IS (Acting)
Chief Finance Officer (CFO)	Rampedi MN
Registered office	Municipal Offices 4065B Mathibestad North West Province South Africa
Business address	Municipal Offices 4065B Mathibestad North West Province South Africa
Postal address	Moretele Local Municipality Private Bag X 367 Makapanstad South Africa 0404
Bankers	ABSA Bank (Pretoria North, Standard Bank and Nedbank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on July 31, 2017 and were signed on its behalf by:

Acting Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2017.

Audit committee members and attendance

The Audit Committee must meet at least four times per annum as required by section 166(4)(b) of the Municipal Finance Management Act. The audit committee met six (6) times in the 2016/17 as listed below:

Name of member	Number of meetings attended
Adv. JL Thubakgale (Chairperson)	06
Mr C Motau (Member)	05
Mr NT Mabunda (Member)	06

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Sections 166 of the Municipal Finance Management Act. We further report that we have conducted our affairs in compliance with this charter..

Audit Committee Report

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality in its audits. The Internal Audit is implementing their 2016/2017 annual plan as approved by the Audit Committee. The Committee met with Internal Audit during the year to ensure that the function is executed effectively, independently and objectively. We are satisfied with the content and quality of quarterly reports prepared and issued by internal audit.

Risk Management

The Municipality established a Risk Management Committee in 2014. The chairperson of the committee resigned in September 2015 and an acting chair was appointed in December 2015. The committee has held three (3) meetings in the financial year 2016/2017. The terms of reference and the policies relating to risk management have been approved. A quarterly report on risk management is submitted to the audit committee. The committee is concerned that risk management activities are not taken seriously by management. Risk assessment workshop was held for the financial year 2016/17, and the vacant post in the unit is not yet filled.

In year management and quarterly reports submitted

We reviewed the below reports:

Performance Reports

Budget Statements

SCM Reports

Internal Audit Quarterly Progress Reports

Progress on the Risk Management Implementation

Quarterly Reports on Information and Communications Technology

The effectiveness of internal control

The system of internal control employed by the municipality to financial and risk management is effective, efficient and transparent. In line with the MFMA, Internal Audit provides the Audit Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Meetings with stakeholders

The committee met with the Hon Speaker and the Municipal Public Accounts Committee to discuss areas of common interest.

AC Recommendations

During the year, a recommendations register was developed for implementation by management.

Evaluation of Financial Statements

Audit Committee Report

We have:

Reviewed and discussed the unaudited annual financial statements and draft annual report

Auditor-General of South Africa

The Auditor General South Africa was invited to all our meetings.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	6	604,406	488,198
Finance lease receivables	5	1,563,480	13,515,246
Receivables from exchange transactions	7	31,633,125	21,395,321
Receivables from non-exchange transactions	8	17,700,372	17,511,656
VAT receivable	9	7,380,155	-
Cash and cash equivalents	11	62,027,897	158,396,174
		120,909,435	**211,306,595**
Non-Current Assets			
Investment property	2	5,876,000	5,876,000
Property, plant and equipment	3	961,926,152	842,058,032
Intangible assets	4	18,075,037	27,112,555
		985,877,189	**875,046,587**
Non-Current Assets		985,877,189	875,046,587
Current Assets		120,909,435	211,306,595
Total Assets		**1,106,786,624**	**1,086,353,182**
Liabilities			
Current Liabilities			
Other financial liabilities	14	72,800,000	76,000,000
Finance lease obligation	12	69,302,386	100,053,743
Payables from exchange transactions	16	49,971,737	59,341,527
VAT payable	17	-	5,254,708
Unspent conditional grants and receipts	13	29,776,059	940,522
Bank overdraft	11	1,203,102	-
		223,053,284	**241,590,500**
Non-Current Liabilities			
Other financial liabilities	14	-	72,800,000
Provisions	15	12,443,644	12,320,062
		12,443,644	**85,120,062**
Non-Current Liabilities		12,443,644	85,120,062
Current Liabilities		223,053,284	241,590,500
Total Liabilities		**235,496,928**	**326,710,562**
Assets		1,106,786,624	1,086,353,182
Liabilities		(235,496,928)	(326,710,562)
Net Assets		**871,289,696**	**759,642,620**
Accumulated surplus		871,289,696	759,642,620

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	44,479,616	42,296,329
Rental of facilities and equipment	20	84,346	96,807
Interest received		6,685,180	15,767,167
Recoveries		-	375
Other income		966,404	1,605,433
Interest received - investment	22	8,523,106	7,131,854
Total revenue from exchange transactions		**60,738,652**	**66,897,965**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	44,932,593	44,835,401
Transfer revenue			
Government grants & subsidies	24	413,563,463	380,379,123
Public contributions and donations	25	43,000,920	6,000,000
Total revenue from non-exchange transactions		**501,496,976**	**431,214,524**
		60,738,652	66,897,965
		501,496,976	431,214,524
Total revenue	18	**562,235,628**	**498,112,489**
Expenditure			
Employee related costs	26	(84,054,366)	(76,204,648)
Remuneration of councillors	27	(16,830,239)	(18,097,097)
Depreciation and amortisation	28	(62,901,184)	(36,083,655)
Impairment loss/ Reversal of impairments	29	(52,041,197)	(51,867,281)
Finance costs	30	(18,382,282)	(3,847,667)
Repairs and maintenance		(29,583,944)	(15,271,920)
Bulk purchases	31	(20,645,298)	(17,767,368)
Contracted services	32	(62,187,335)	(43,767,514)
General Expenses	33	(102,216,656)	(95,119,095)
Total expenditure		**(448,842,501)**	**(358,026,245)**
		-	-
Total revenue		562,235,628	498,112,489
Total expenditure		(448,842,501)	(358,026,245)
Operating surplus		**113,393,127**	**140,086,244**
Loss on disposal of assets and liabilities		(1,822,049)	-
Actuarial gains/losses		76,000	(461,293)
		(1,746,049)	**(461,293)**
Operating surplus/deficit		(1,746,049)	(461,293)
Surplus before taxation		111,647,078	139,624,951
Taxation		-	-
Surplus for the year		**111,647,078**	**139,624,951**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,041,985,499	1,041,985,499
Adjustments		
Prior year adjustments	(421,967,831)	(421,967,831)
Balance at July 1, 2015 as restated*	**620,017,668**	**620,017,668**
Changes in net assets		
Surplus for the year	139,624,951	139,624,951
Total changes	139,624,951	139,624,951
Restated* Balance at July 1, 2016	**759,642,621**	**759,642,621**
Changes in net assets		
Surplus for the year	111,647,078	111,647,078
Total changes	111,647,078	111,647,078
Balance at June 30, 2017	**871,289,699**	**871,289,699**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		89,243,209	89,243,780
Grants		442,399,000	377,313,140
Interest income		8,523,106	23,603,112
Other receipts		971,378	713,186
		541,136,693	490,873,218
Payments			
Employee costs		(100,884,605)	(93,539,093)
Suppliers		(215,038,396)	(252,738,853)
Finance costs		-	(2,076,255)
		(315,923,001)	(348,354,201)
Total receipts		541,136,693	490,873,218
Total payments		(315,923,001)	(348,354,201)
Net cash flows from operating activities	35	**225,213,692**	**142,519,017**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(207,781,150)	(80,895,479)
Proceeds from sale of property, plant and equipment	3	(1,822,049)	-
Purchase of investment property	2	-	(5,876,000)
Purchase of other intangible assets	4	-	(27,112,555)
Net cash flows from investing activities		**(209,603,199)**	**(113,884,034)**
Cash flows from financing activities			
Repayment of other financial liabilities		(76,000,000)	148,800,000
Finance lease payments		(49,133,638)	(5,523,563)
Finance lease receipts		11,951,766	(13,515,246)
Net cash flows from financing activities		**(113,181,872)**	**129,761,191**
Net increase/(decrease) in cash and cash equivalents		**(97,571,379)**	**158,396,174**
Cash and cash equivalents at the beginning of the year		158,396,174	-
Cash and cash equivalents at the end of the year	11	**60,824,795**	**158,396,174**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	31,264,000	-	**31,264,000**	44,479,616	**13,215,616**	
Rental of facilities and equipment	106,941	-	**106,941**	84,346	**(22,595)**	
Interest received (trading)	5,670,799	-	**5,670,799**	6,685,180	**1,014,381**	
Other income	758,000	(16,000)	**742,000**	966,404	**224,404**	
Interest received - investment	4,169,055	7,643,283	**11,812,338**	8,523,106	**(3,289,232)**	
Total revenue from exchange transactions	**41,968,795**	**7,627,283**	**49,596,078**	**60,738,652**	**11,142,574**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	47,799,000	-	**47,799,000**	44,932,593	**(2,866,407)**	
Transfer revenue						
Government grants & subsidies	383,924,000	59,016,000	**442,940,000**	413,563,463	**(29,376,537)**	
Public contributions and donations	-	-	**-**	43,000,920	**43,000,920**	
Total revenue from non-exchange transactions	**431,723,000**	**59,016,000**	**490,739,000**	**501,496,976**	**10,757,976**	
'Total revenue from exchange transactions'	41,968,795	7,627,283	**49,596,078**	60,738,652	**11,142,574**	
'Total revenue from non-exchange transactions'	431,723,000	59,016,000	**490,739,000**	501,496,976	**10,757,976**	
Total revenue	**473,691,795**	**66,643,283**	**540,335,078**	**562,235,628**	**21,900,550**	
Expenditure						
Personnel	(96,788,000)	8,054,000	**(88,734,000)**	(84,054,366)	**4,679,634**	
Remuneration of councillors	(19,419,074)	1,784,000	**(17,635,074)**	(16,830,239)	**804,835**	
Depreciation and amortisation	(13,927,000)	(24,047,000)	**(37,974,000)**	(62,901,184)	**(24,927,184)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(52,041,197)	**(52,041,197)**	
Finance costs	(6,877,000)	(1,969,348)	**(8,846,348)**	(18,382,282)	**(9,535,934)**	
Debt Impairment	(42,085,967)	2,226,000	**(39,859,967)**	-	**39,859,967**	
Repairs and maintenance	(19,680,625)	(15,000,000)	**(34,680,625)**	(29,583,944)	**5,096,681**	
Bulk purchases	(23,320,000)	(4,000,000)	**(27,320,000)**	(20,645,298)	**6,674,702**	
Contracted Services	(47,430,000)	(1,574,000)	**(49,004,000)**	(62,187,335)	**(13,183,335)**	
General Expenses	(112,967,000)	(46,520,000)	**(159,487,000)**	(102,216,656)	**57,270,344**	
Total expenditure	**(382,494,666)**	**(81,046,348)**	**(463,541,014)**	**(448,842,501)**	**14,698,513**	
	473,691,795	66,643,283	**540,335,078**	562,235,628	**21,900,550**	
	(382,494,666)	(81,046,348)	**(463,541,014)**	(448,842,501)	**14,698,513**	
Operating surplus	**91,197,129**	**(14,403,065)**	**76,794,064**	**113,393,127**	**36,599,063**	
Loss on disposal of assets and liabilities	-	-	**-**	(1,822,049)	**(1,822,049)**	
Actuarial gains/losses	-	-	**-**	76,000	**76,000**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	**-**	**-**	**(1,746,049)**	**(1,746,049)**	
	91,197,129	(14,403,065)	**76,794,064**	113,393,127	**36,599,063**	
	-	-	**-**	(1,746,049)	**(1,746,049)**	
Surplus before taxation	**91,197,129**	**(14,403,065)**	**76,794,064**	**111,647,078**	**34,853,014**	
Deficit before taxation	91,197,129	(14,403,065)	**76,794,064**	111,647,078	**34,853,014**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**91,197,129**	**(14,403,065)**	**76,794,064**	**111,647,078**	**34,853,014**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	500,000	**500,000**	604,406	**104,406**	
Finance lease receivables	-	-	**-**	1,563,480	**1,563,480**	
Receivables from non-exchange transactions	60,484,000	-	**60,484,000**	17,700,372	**(42,783,628)**	
VAT receivable	-	-	**-**	7,380,155	**7,380,155**	
Cash and cash equivalents	113,413,000	-	**113,413,000**	62,027,897	**(51,385,103)**	
	173,897,000	**500,000**	**174,397,000**	**89,276,310**	**(85,120,690)**	
Non-Current Assets						
Investment property	-	-	**-**	5,876,000	**5,876,000**	
Property, plant and equipment	1,378,476,000	5,499,000	**1,383,975,000**	961,926,152	**(422,048,848)**	
Intangible assets	-	-	**-**	18,075,037	**18,075,037**	
	1,378,476,000	**5,499,000**	**1,383,975,000**	**985,877,189**	**(398,097,811)**	
Non-Current Assets	173,897,000	500,000	**174,397,000**	89,276,310	**(85,120,690)**	
Current Assets	1,378,476,000	5,499,000	**1,383,975,000**	985,877,189	**(398,097,811)**	
Total Assets	**1,552,373,000**	**5,999,000**	**1,558,372,000**	**1,075,153,499**	**(483,218,501)**	
Liabilities						
Current Liabilities						
Other financial liabilities	74,425,000	1,575,000	**76,000,000**	72,800,000	**(3,200,000)**	
Finance lease obligation	-	-	**-**	69,302,386	**69,302,386**	
Payables from exchange transactions	157,408,000	-	**157,408,000**	49,971,737	**(107,436,263)**	
Unspent conditional grants and receipts	-	-	**-**	29,776,059	**29,776,059**	
Bank overdraft	-	-	**-**	1,203,102	**1,203,102**	
	231,833,000	**1,575,000**	**233,408,000**	**223,053,284**	**(10,354,716)**	
Non-Current Liabilities						
Provisions	2,655,000	-	**2,655,000**	12,443,644	**9,788,644**	
	231,833,000	1,575,000	**233,408,000**	223,053,284	**(10,354,716)**	
	2,655,000	-	**2,655,000**	12,443,644	**9,788,644**	
	-	-	**-**	-	**-**	
Total Liabilities	**234,488,000**	**1,575,000**	**236,063,000**	**235,496,928**	**(566,072)**	
Assets	1,552,373,000	5,999,000	**1,558,372,000**	1,075,153,499	**(483,218,501)**	
Liabilities	(234,488,000)	(1,575,000)	**(236,063,000)**	(235,496,928)	**566,072**	
Net Assets	**1,317,885,000**	**4,424,000**	**1,322,309,000**	**839,656,571**	**(482,652,429)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,317,885,000	4,424,000	**1,322,309,000**	871,289,698	**(451,019,302)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	35,506,000	-	**35,506,000**	-	**(35,506,000)**	
Grants	433,298,000	(15,358,000)	**417,940,000**	-	**(417,940,000)**	
Interest income	4,169,000	7,643,000	**11,812,000**	-	**(11,812,000)**	
Other receipts	40,107,000	-	**40,107,000**	-	**(40,107,000)**	
	513,080,000	**(7,715,000)**	**505,365,000**	**-**	**(505,365,000)**	
Payments						
Suppliers	(300,410,000)	(76,452,000)	**(376,862,000)**	-	**376,862,000**	
Finance costs	(6,877,000)	(1,969,000)	**(8,846,000)**	-	**8,846,000**	
Transfers and subsidies	(19,195,000)	-	**(19,195,000)**	-	**19,195,000**	
	(326,482,000)	**(78,421,000)**	**(404,903,000)**	**-**	**404,903,000**	
Total receipts	513,080,000	(7,715,000)	**505,365,000**	-	**(505,365,000)**	
Total payments	(326,482,000)	(78,421,000)	**(404,903,000)**	-	**404,903,000**	
Net cash flows from operating activities	**186,598,000**	**(86,136,000)**	**100,462,000**	**-**	**(100,462,000)**	
Cash flows from investing activities						
Decrease in non current investments	50,000,000	(50,000,000)	**-**	-	**-**	
Capital assets	(159,759,000)	(5,499,000)	**(165,258,000)**	-	**165,258,000**	
Net cash flows from investing activities	**(109,759,000)**	**(55,499,000)**	**(165,258,000)**	**-**	**165,258,000**	
Cash flows from financing activities						
Movement in other liability	(74,425,000)	1,578,000	**(72,847,000)**	-	**72,847,000**	
Net increase/(decrease) in cash and cash equivalents	2,414,000	(140,057,000)	**(137,643,000)**	-	**137,643,000**	
Cash and cash equivalents at the beginning of the year	80,999,000	77,001,000	**158,000,000**	-	**(158,000,000)**	
Cash and cash equivalents at the end of the year	**83,413,000**	**(63,056,000)**	**20,357,000**	**-**	**(20,357,000)**	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated after receivables accounts with overall credit balances at reporting date is taken out. The impairment loss is calculated by multiplying individual debtor's balances by a risk factor (determined based on payment history and other traits which impact on recoverability). Receipts in July (following the reporting date) are deducted from the debtors total debt at year end (limited to the value of the debt). This approach ensures that all debtors, regardless of value are considered individually. All debtors are categorised into one of four categories. These categories are very high risk, high risk, medium risk and low risk. Debtors are given a risk category based on their payment history and other relevant traits on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. The estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

1.4 Investment property

Investment property is property (land) held for capital appreciation rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. When an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parst and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent to initial measurement Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 - 50
Furniture and fixtures	Straight line	4 - 10
Motor vehicles	Straight line	5 - 15
IT equipment	Straight line	3 - 8
Community assets	Straight line	3 - 25
Electricity	Straight line	20 - 45
Roads and paving	Straight line	3 - 100
Sewerage	Straight line	5 - 100
Water	Straight line	5 - 100
Tools and loose gear	Straight line	5 - 15

1.5 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. if the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

1.7 Financial instruments (continued)
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange and non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankrupcy and default of payments are all indicators of impairment.

Financial assets measured at amortised cost:

1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amount recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventory when the municipality purchases bulk water with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc). However, water in dams that are filled by natural resources and that has not yet been treated, and is under control of the municipality but cannot be measured reliably as there is no cost attached to the water and it is therefore not recognised in the statement of financial position.

The basis od determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.10 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or

1.12 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.14 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditureis expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No.32 of 2000) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-16 to 30-Jun-17.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed, special conditions must exist for the other spheres of government to be considered.

Accounting Policies

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Responsibility and accountability

In the event that the amount is known, adjusting events after the reporting period of Moretele Local Municipality shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

In the event that the amount is known, non-adjusting events after the reporting period of Moretele Local Municipality shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

Additional procedures to identify events after the reporting period

1.25 Accumulated surplus

The accumulative surplus represents the net difference between the total assets and the total liabilities of the municipality. Any Surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus when retrospective adjustment are made.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	5,876,000	-	5,876,000	5,876,000	-	5,876,000

Reconciliation of investment property - 2017

	Opening balance	**Total**
Investment property	5,876,000	5,876,000

Reconciliation of investment property - 2016

	Opening balance	**Additions**	**Total**
Investment property	-	5,876,000	5,876,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	46,714,697	-	46,714,697	46,436,860	-	46,436,860
Buildings	208,437,739	(128,803,795)	79,633,944	195,011,443	(124,931,430)	70,080,013
Furniture and fixtures	8,218,369	(5,833,499)	2,384,870	7,140,308	(4,800,601)	2,339,707
Motor vehicles	11,475,247	(2,300,236)	9,175,011	6,404,300	(1,804,551)	4,599,749
Office equipment	3,738,058	(3,302,681)	435,377	3,446,420	(2,999,802)	446,618
IT equipment	14,136,172	(13,375,011)	761,161	14,093,272	(12,941,867)	1,151,405
Infrastructure	768,314,938	(280,155,255)	488,159,683	691,176,193	(246,511,870)	444,664,323
Other property, plant and equipment	282,941,244	-	282,941,244	221,090,840	-	221,090,840
Other leased Assets # 1	62,562,723	(11,385,926)	51,176,797	50,610,957	(72,190)	50,538,767
Tools and loose gear	1,058,305	(514,937)	543,368	1,058,305	(348,555)	709,750
Total	**1,407,597,492**	**(445,671,340)**	**961,926,152**	**1,236,468,898**	**(394,410,866)**	**842,058,032**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers received	Transfers	Derecognition	Depreciation	Total
Land	46,436,860	-	277,837	-	-	-	46,714,697
Buildings	70,080,013	-	15,902,925	-	(898,642)	(5,450,352)	79,633,944
Furniture and fixtures	2,339,707	1,078,061	-	-	-	(1,032,898)	2,384,870
Motor vehicles	4,599,749	5,070,947	-	-	-	(495,685)	9,175,011
Office equipment	446,618	291,638	-	-	-	(302,879)	435,377
IT equipment	1,151,405	42,900	-	-	-	(433,144)	761,161
Infrastructure	444,664,323	79,087,357	-	-	(923,407)	(34,668,590)	488,159,683
Capital work in progress	221,090,840	-	125,803,298	(63,952,894)	-	-	282,941,244
Leased assets	50,538,767	11,951,766	-	-	-	(11,313,736)	51,176,797
Tools and loose gear	709,750	-	-	-	-	(166,382)	543,368
	842,058,032	**97,522,669**	**141,984,060**	**(63,952,894)**	**(1,822,049)**	**(53,863,666)**	**961,926,152**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Correction of prior period error	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	701,000	-	-	45,515,711	-	220,149	-	46,436,860
Buildings	1,870,471	-	-	105,116,491	(36,867,139)	(39,810)	-	70,080,013
Furniture and fixtures	3,177,012	100,968	-	-	-	-	(938,273)	2,339,707
Motor vehicles	4,881,933	-	-	-	-	-	(282,184)	4,599,749
Office equipment	750,826	854	-	-	-	-	(305,062)	446,618
IT equipment	1,388,834	260,901	-	19,696	-	-	(518,026)	1,151,405
Infrastructure	316,193,876	-	40,875,733	113,054,118	-	-	(25,459,404)	444,664,323
Capital work in progress	133,875,384	200,269,574	-	-	(113,054,118)	-	-	221,090,840
Leased Assets	19,696	50,610,957	-	-	(19,696)	-	(72,190)	50,538,767
Tools and loose gear	463,263	383,107	-	-	-	-	(136,620)	709,750
	463,322,295	**251,626,361**	**40,875,733**	**263,706,016**	**(149,940,953)**	**180,339**	**(27,711,759)**	**842,058,032**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	221,090,841	221,090,841
Additions/capital expenditure	125,803,297	125,803,297
Transferred to completed items	(63,952,895)	(63,952,895)
	282,941,243	**282,941,243**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	133,875,384	133,875,384
Additions/capital expenditure	200,269,575	200,269,575
Transferred to completed items	(113,054,118)	(113,054,118)
	221,090,841	**221,090,841**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	27,112,555	(9,037,518)	18,075,037	27,112,555	-	27,112,555

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	27,112,555	(9,037,518)	18,075,037

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Total
Computer software, other	-	27,112,555	27,112,555

5. Finance lease receivables

The unguaranteed residual values of assets leased under finance lease at the end of the reporting period amount to R - (2016: R -).

The entity entered into finance leasing arrangements for certain of its motor vehicles and equipment.

The average lease terms are x-y years and the average effective lending rate was -% (2016: -%).

None of the trade and other receivables have been pledged as security for liabilities or contingent liabilities.

Figures in Rand	2017	2016

6. Inventories

Consumable stores	335,991	286,659
Water	268,415	201,539
	604,406	**488,198**
Carrying value of inventories carried at the lower of cost and net realisable value	604,406	488,198
Inventories recognised as an expense during the year	20,645,297	18,482,283

Inventory pledged as security

The municipality did not pledge any inventory as security. The inventory count was conducted on the 30th June 2017.

7. Receivables from exchange transactions

Consumer debtors - Water	7,958,961	10,963,198
Consumer debtors - Refuse	12,306,055	4,813,465
Consumer debtors - Sundry	9,092,782	851,365
Consumer debtors - Interest	2,275,327	4,767,293
	31,633,125	**21,395,321**

Fair value of trade and other receivables

Trade and other receivables	31,633,125	21,395,321

Trade and other receivables past due but not impaired

No trade and other receivables were passed due and not impaired.

Trade and other receivables impaired

The amount of the provision was R (220,565,058) as of June 30, 2017 (2016: R172 977 443).

Reconciliation of provision for impairment trade and other receivables:

Opening balance	172,642,795	127,642,795
Provision for impairment	-	45,334,648

8. Receivables from non-exchange transactions

Government grants and subsidies	967,123	967,123
Other taxes	(704,092)	(704,092)
Consumer debtors - Rates	17,437,341	17,248,625
	17,700,372	**17,511,656**

The average credit period for Receivables are 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their value.

8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

No receivables from non-exchange transactions were past due but not impaired as the impairment policy was followed in all instances.

Receivables from non-exchange transactions impaired

The ageing of amounts past due but not impaired is as follows:

Current	1,717,165	2,560,867
31 - 60 Days	577,347	823,955
61 - 90 Days	582,782	810,522
> 90 Days	14,560,126	14,020,404

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	13,675,796	8,509,037
Provision for impairment	5,113,448	5,166,759
	18,789,244	**13,675,796**

The provision for impairment on Receivables exists predominantly doe to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment is calculated after receivable accounts with overall credit balances at reporting date is taken out. The impairment loss on debtors is calculated by multiplying individual debtor's balances by a risk factor (determined based on payment history and other traits which impact on recoverability). Receipts in July (following the reporting date) are deducted from the debtors total debt at year end (limited to the value of the debt). This approach ensures that all debtors, regardless of value are considered individually. All debtors are categorised into one of four categories. These categories are very high risk, high risk, medium risk and low risk. Debtors are given a risk category based on their payment history and other relevant traits on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

9. VAT receivable

VAT	7,380,155	-

10. Consumer debtors

Gross balances		
Consumer debtors - Rates	36,226,586	30,924,421
Consumer debtors - Water	131,688,566	105,891,032
Consumer debtors - Refuse	63,970,675	46,145,632
Consumer debtors - Sundry	7,593,975	108,598
Consumer debtors - Interest	47,446,160	42,144,602
	286,925,962	**225,214,285**

Less: Allowance for impairment		
Consumer debtors - Rates	(18,789,244)	(13,675,796)
Consumer debtors - Water	(118,061,348)	(94,927,834)
Consumer debtors - Refuse	(57,332,877)	(41,332,167)
Consumer debtors - Sundry	(3,341,336)	(89,799)
Consumer debtors - Interest	(41,830,139)	(36,627,643)
	(239,354,944)	**(186,653,239)**

Figures in Rand	2017	2016

10. Consumer debtors (continued)

Net balance		
Consumer debtors - Rates	17,437,342	17,248,625
Consumer debtors - Water	13,627,218	10,963,198
Consumer debtors - Refuse	6,637,798	4,813,465
Consumer debtors - Sundry	4,252,640	18,799
Consumer debtors - Interest	5,616,021	5,516,959
	47,571,019	**38,561,046**

Included in above is receivables from exchange transactions		
Water	13,627,218	10,963,198
Refuse	6,637,798	4,813,465
Sundry	4,252,640	18,799
Interest	5,616,021	5,516,959
	30,133,677	**21,312,421**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	17,437,342	17,248,625
Net balance	**47,571,019**	**38,561,046**

Rates		
Current (0 -30 days)	1,717,165	2,560,867
31 - 60 days	577,347	823,955
61 - 90 days	582,782	810,522
> 90 days	14,560,126	13,053,281
	17,437,420	**17,248,625**

Water		
Current (0 -30 days)	487,814	480,911
31 - 60 days	238,850	227,350
61 - 90 days	236,786	233,618
> 90 days	12,663,956	10,021,319
	13,627,406	**10,963,198**

Refuse		
Current (0 -30 days)	321,605	299,540
31 - 60 days	159,547	148,178
61 - 90 days	158,396	148,395
> 90 days	5,998,398	4,217,352
	6,637,946	**4,813,465**

Sundry		
Current (0 -30 days)	2,122,972	11,486
> 90 days	(2,122,972)	7,313
	-	**18,799**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Consumer debtors (continued)

Interest		
Current (0 -30 days)	180,578	871,794
31 - 60 days	91,773	244,888
61 - 90 days	89,337	232,927
> 91 days	5,254,333	4,167,350
	5,616,021	**5,516,959**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	11,828,259	10,565,712
31 - 60 days	4,510,716	5,120,317
61 - 90 days	4,505,441	5,203,980
> 91 days	233,107,684	179,932,497
	253,952,100	200,822,506
Less: Allowance for impairment	(228,244,470)	(180,094,639)
	25,707,630	**20,727,867**

Industrial/ commercial		
Current (0 -30 days)	434,781	195,571
31 - 60 days	105,716	95,316
61 - 90 days	105,194	94,480
> 91 days	8,138,237	5,013,578
	8,783,928	5,398,945
Less: Allowance for impairment	(8,031,100)	(4,838,812)
	752,828	**560,133**

National and provincial government		
Current (0 -30 days)	1,652,539	3,439,522
31 - 60 days	664,004	1,020,913
61 - 90 days	666,182	999,981
> 91 days	16,015,824	13,428,921
	18,998,549	18,889,337
Less: Allowance for impairment	(1,899,536)	(1,634,581)
	17,099,013	**17,254,756**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	31,766	2,111
Bank balances	-	9,168,131
Short-term deposits	61,996,131	149,225,932
Bank overdraft	(1,203,102)	-
	60,824,795	**158,396,174**

Current assets	62,027,897	158,396,174
Current liabilities	(1,203,102)	-
	60,824,795	**158,396,174**

The municipality has adhered to its bank and investment policy as its surplus funds are re-invested with the big banks as listed below.

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances June 30, 2017	Bank statement balances June 30, 2016	Bank statement balances June 30, 2015	Cash book balances June 30, 2017	Cash book balances June 30, 2016	Cash book balances June 30, 2015
ABSA BANK - Account Type - Cheque account - Acc nr 405 331 7014	251,157	30,288,980	4,156,260	(1,203,102)	9,168,131	4,156,260
ABSA BANK - Account Type - Call account - Acc nr 407 953 2472	5,399	116,972	50,778	5,399	116,972	50,778
ABSA BANK - Account Type - Fixed deposit - Acc nr 928 666 2273	2,840,113	12,853,002	54,029	2,840,113	12,853,002	51,029
ABSA BANK - Account Type - Fixed deposit - Acc nr 408 954 1558	1,258,682	15,000,000	-	1,258,682	15,000,000	-
ABSA BANK - Account Type - Fixed deposit - Acc nr 207 609 9067	-	60,000,000	-	-	60,000,000	-
Nedbank - Account Type - Fixed deposit - Acc nr 788 111 8008	-	61,255,188	12,065,490	-	61,255,188	12,065,490
VBS - Account Type - Fixed deposit - Acc nr 0100 7366 9004	30,249,939	-	-	30,249,939	-	-
VBS - Account Type - Fixed deposit - Acc nr 0100 7366 9005	30,208,791	-	-	30,208,791	-	-
Total	**64,814,081**	**179,514,142**	**16,326,557**	**63,359,822**	**158,393,293**	**16,323,557**

Above is only bank accounts listed that have a balance at year-end.

12. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	38,078,898	30,751,358
- in second to fifth year inclusive	31,179,514	69,258,412
Present value of minimum lease payments	**69,258,412**	**100,009,770**

	2017	2016
Present value of minimum lease payments due		
- within one year	38,078,898	30,751,358
- in second to fifth year inclusive	31,179,514	69,258,412
	69,258,412	**100,009,770**

Finance lease liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance leases is 10%. Capitalised lease liabilities are secured over the items of IT Equipment leased.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Department of water, agriculture and forestry	10,081,070	53,840
North West Sport - Maubane cultural village	500,000	500,000
Library Grant	809,033	386,683
Municipal Infrastructure Grant	18,385,956	(1)
	29,776,059	**940,522**

13. Unspent conditional grants and receipts (continued)

Movement during the year

	2017	2016
Balance at the beginning of the year	940,523	10,006,506
Additions during the year	442,345,159	380,727,000
Income recognition during the year	(413,509,623)	(389,792,983)
	29,776,059	**940,523**

The recurring amount of R500 000 for Maubane cultural village relates to 2006/2007 conditional grant allocation from North West Department of Sport Arts and Culture. There is currently a dispute within the Maubane Tribal village over the use of land. The municipality has kept in communication with department to relax conditions of the grant.

See notes for reconciliation of grants.

14. Other financial liabilities

	2017	2016
At amortised cost		
DBSA Loan - Account Nr: 9002050 The loan is repayable in 4 monthly instalments with the redemption date of 29 March 2018. The loan bears interest of 9% and is secured by MIG proects.	72,800,000	148,800,000

The municipality applied for frontloading against MIG allocation for the two coming financial period since 30 June 2016. The funds were to be utilised as per conditions of MIG. The concurrence from National Treasury was obtained as requirements of section 46 of MFMA.

	2017	2016
Non-current liabilities		
At amortised cost	-	72,800,000
Current liabilities		
At amortised cost	72,800,000	76,000,000

15. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Accrued Bonus	1,534,112	(425,818)	1,108,294
Accrued Leave	7,676,950	295,400	7,972,350
Long Service Awards	3,109,000	254,000	3,363,000
	12,320,062	**123,582**	**12,443,644**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Accrued bonus	1,106,671	427,441	-	1,534,112
Accrued leave	7,621,662	55,288	-	7,676,950
Long Service Awards	2,677,000	1,044,293	(612,293)	3,109,000
	11,405,333	**1,527,022**	**(612,293)**	**12,320,062**

15. Provisions (continued)

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The most recent acturial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by ZAQ Consultants and Actuaries , Niel Fourie, fellow of the Actuarial Society of South Africa. The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

The principal assumptions used for the purposes of the acturial valuations were as follows for the year ended 30 June 2017:

Discount rate - Yield curve
CPI (Consumer Price Inflation) - Difference between nominal and real yield curve
General salary inflation - Equal to CPI +%
Net discount rate - Yield curve base**d

The principal assumptions used for the purposes of the acturial valuations were as follows for the year ended 30 June 2016:

Discount rate - Yield curve
CPI (Consumer Price Inflation) - Difference between nominal and real yield curve
General salary inflation - Equal to CPI +%
Net discount rate - Yield curve base**

The basis on which the discount rate has been determined is as follows:
GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefts payments, an entity uses current market rates of the appropriate term to discount shorter terms payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.'

Normal and zero curves as at 30 June 2017 supplied by the JSE are used to determine discount rates and CPI assumptions at each relevant time period.

**The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) salary Inflation for each relevant time period.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
	126	**126**

Movements in the present value of the Defined Benefit Obligations were as follows:		
Present value of the obligation as at previous valuation date	3,109,000	2,677,000
Current Service Cost	361,000	328,000
Interest Cost	310,000	255,000
Benefits Paid	(341,000)	(612,293)
Actuarial Loss / (Gain)	(76,000)	461,293
Present Value of the obligation as at the valuation date	**3,363,000**	**3,109,000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Provisions (continued)

The amount recognised in the Statement of Financial Position is as follows:		
Present value of unfunded obligations	3,363,000	3,109,000

The amounts recognised in the Statement of Financial Performance are as follows:		
Current Service Cost	361,000	328,000
Interest Cost	310,000	255,000
Actuarial Loss / (Gain)	(76,000)	461,293
	595,000	**1,044,293**

History of liabilities	**30 June 2013**	**30 June 2014**	**30 June 2015**	**30 June 2016**	**30 June 2017**
Accrued Liability	1,759,000	2,333,000	2,677,000	3,109,000	3,363,000
Subtotal	1,759,000	2,333,000	2,677,000	3,109,000	3,363,000

Sensitivity Analysis on Current-service and Interest Costs for the year ending 30 June 2017 - Assumptions & Change	**Current-service cost**	**Interest cost**	**Total**
General assumptions	365,000	344,000	709,000
General salary inflation (+1%)	399,000	375,000	774,000
General salary inflation (-1%)	334,000	316,000	650,000
Withdrawal rate (+20%)	336,000	320,000	656,000
Withdrawal rate (-20%)	397,000	370,000	767,000
	-	-	-

Sensitivity Analysis on the Unfunded Accrued Liability (in R millions) for the year ending 30 June 2017 - Assumptions & Change	**Liability**
General assumptions	3,363,000
General salary inflation (+1%)	3,647,000
General salary inflation (-1%)	3,108,000
Withdrawal rate (+20%)	3,143,000
Withdrawal rate (-20%)	3,608,000
	-

16. Payables from exchange transactions

Trade payables	2,514,428	5,216,497
Payments received in advanced - contract in process	182,427	954,602
Retentions	36,282,580	35,547,223
Social responsibility	149,469	149,469
Accrued expense	9,789,670	16,420,573
Payable: Concillor fees and pension	1,053,163	1,053,163
	49,971,737	**59,341,527**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA,except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policiesin place to ensure that all payables are paid within the credit timeframe.

No terms of payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair value.

17. VAT payable

Tax refunds payables	-	5,254,708

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

18. Revenue

Service charges	44,479,616	42,296,329
Rental of facilities and equipment	84,346	96,807
Interest received (trading)	6,685,180	15,767,167
Bad debt recovered	-	375
Other income	966,404	1,605,433
Interest received - investment	8,523,106	7,131,854
Property rates	44,932,593	44,835,401
Government grants & subsidies	413,563,463	380,379,123
Public contributions and donations	43,000,920	6,000,000
	562,235,628	**498,112,489**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	44,479,616	42,296,329
Rental of facilities and equipment	84,346	96,807
Interest received (trading)	6,685,180	15,767,167
Recoveries	-	375
Other income	966,404	1,605,433
Interest received - investment	8,523,106	7,131,854
	60,738,652	**66,897,965**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	44,932,593	44,835,401
Transfer revenue		
Government grants & subsidies	413,563,463	380,379,123
Public contributions and donations	43,000,920	6,000,000
	501,496,976	**431,214,524**

19. Service charges

Sale of water	26,326,747	25,365,772
Refuse removal	18,152,869	16,930,557
	44,479,616	**42,296,329**

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

20. Rental of facilities and equipment

Premises		
Hall rental	6,894	9,193
House rental	-	11,992
Office rental	77,452	75,622
	84,346	**96,807**

21. Other revenue

Bad debts recovered	-	375
Other income	966,404	1,605,433
	966,404	**1,605,808**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Investment revenue

Interest received - Other	8,523,106	7,131,854

23. Property rates

Rates received

Residential	523,391	523,403
Commercial	2,765,490	2,765,490
State	40,900,160	40,888,582
Agriculture	743,552	657,926
	44,932,593	**44,835,401**

Property Rates are levied on the value of the land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2015. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rate amounts.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. Government grants and subsidies

Operating grants		
Equitable share	263,904,840	260,987,000
Municipal Systems Improvement Grant	-	930,000
Finance Management Grant	1,810,000	1,675,000
Expanded Publics Works Programme Grant	4,228,000	3,353,000
	269,942,840	**266,945,000**
Capital grants		
Department of water, agriculture and forestry	35,013,930	10,124,160
Municipal Infrastructure Grant	108,024,044	102,404,001
Government grant (capital) 3	(1)	-
Library Grant	582,650	905,962
	143,620,623	**113,434,123**
	269,942,840	266,945,000
	143,620,623	113,434,123
	413,563,463	**380,379,123**

Department of water, agriculture and forestry

Balance unspent at beginning of year	53,840	-
Current-year receipts	45,095,000	10,178,000
	10,081,070	**53,840**

North West sport - Maubane cultural village

Balance unspent at beginning of year	500,000	500,000

Library Grant

Balance unspent at beginning of year	386,683	92,644
Current-year receipts	1,005,000	1,200,000
Conditions met - transferred to revenue	(582,650)	(905,961)
	809,033	**386,683**

Municipal Infrastructure Grant

Balance unspent at beginning of year	(1)	-
Current-year receipts	126,410,000	-
Conditions met - transferred to revenue	(108,024,043)	-
Other	-	(1)
	18,385,956	**(1)**

25. Public contributions and donations

Donation in kind received	43,000,920	6,000,000

Donation in kind represents a water reticulation tank that was received from Bojanala municipality, constructed by Mogogrlo Water Supply.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Employee related costs

Basic	54,644,520	49,009,833
Bonus	3,378,583	3,050,472
Medical aid - company contributions	4,648,372	4,206,982
UIF	393,103	375,852
SDL	714,679	644,185
Leave pay provision charge	(425,818)	55,289
Travel, motor car, accommodation, subsistence and other allowances	10,043,264	9,338,811
Overtime payments	2,068,790	1,901,761
Long-service awards	(341,000)	(612,293)
Housing benefits and allowances	279,382	238,789
Pension contribution	7,979,491	7,411,967
Long service awards - service cost	361,000	328,000
Long service awards - interest cost	310,000	255,000
	84,054,366	**76,204,648**

Remuneration of Municipal Manager

Basic salary	650,321	751,591
Back pay	54,432	29,160
Travel and cellphone allowance	246,800	296,160
Travel and subsistance	-	42,116
	951,553	**1,119,027**

Remuneration of Chief Financial Officer

Basic salary	773,518	713,066
Back pay	50,495	58,362
Travel and cellphone allowance	254,998	260,787
Travel and subsistance	34,170	28,501
	1,113,181	**1,060,716**

Remuneration of Deputy Chief Financial Officer

Basic salary	532,194	629,446
Back pay	41,334	146,323
Travel and cellphone allowance	172,224	261,952
Travel and subsistance	-	-
	745,752	**1,037,721**

Remuneration of Director: Technical Services

Basic salary	631,135	573,032
Back pay	50,495	29,160
Travel and cellphone allowance	276,908	274,385
Pension and medical aid contribution	132,251	80,318
	1,090,789	**956,895**

Remuneration of Director: Corporate and Human resources

Basic salary	522,740	527,581
Back pay	61,074	24,603
Travel and cellphone allowance	201,360	241,632
Pension and medical aid contribution	40,153	70,778
Travel and subsistance	37,680	48,161
	863,007	**912,755**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Employee related costs (continued)

Remuneration of Director: Social Services		
Basic salary	740,631	618,355
Back pay	45,926	129,919
Travel and cellphone allowance	243,928	265,939
Travel and subsistance	41,381	19,904
	1,071,866	**1,034,117**

Remuneration of Director: Local Economic Development		
Basic salary	673,205	618,355
Back pay	45,926	129,919
Travel and cellphone allowance	243,928	265,939
Travel and subsistance	70,597	53,901
	1,033,656	**1,068,114**

27. Remuneration of councillors

Executive Major	755,278	18,097,097
Single whip	588,219	-
Mayoral Committee Members	3,902,920	-
Speaker	689,582	-
Councillors	10,872,534	-
	16,808,533	**18,097,097**

27. Remuneration of councillors (continued)

2017 - Mayor	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
Monaheng MA	471,595	183,272	26,239	74,172	755,278
Motsepe KL	55,012	20,819	2,688	6,040	84,559
	526,607	**204,091**	**28,927**	**80,212**	**839,837**

2017 - Speaker	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
Sekhaolela TL	385,912	148,999	26,239	60,245	621,395
Magongwa JL	44,011	16,656	2,688	4,832	68,187
	429,923	**165,655**	**28,927**	**65,077**	**689,582**

2017 - Single whip	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
Molefe KJ	364,478	140,740	26,239	56,762	588,219

2017 - EXCO committee	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
Motsepe LA	324,661	127,058	23,645	50,259	525,623
Mangema MB	364,478	140,740	26,239	56,762	588,219
Makwela MJ	364,478	143,516	26,239	56,762	590,995
Mleta K	364,478	140,740	26,239	56,762	588,219
Sephelle BD	324,661	127,058	23,645	50,259	525,623
Kau MJ	353,070	135,864	26,239	53,575	568,748
Letebele LM	179,347	69,537	26,239	28,489	303,612
Makhudu MP	40,397	15,615	2,688	4,530	63,230
Mboweni EG	41,259	15,615	2,688	4,530	64,092
	2,356,829	**915,743**	**183,861**	**361,928**	**3,818,361**

2017 - Councillors	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
ZS. Reletjena	137,571	53,154	23,645	20,759	235,129
MC. Moatshe	137,571	53,154	23,645	20,759	235,129
D Sono	137,571	53,154	23,645	20,759	235,129
MJ. Mosetlhe	137,571	53,154	23,645	20,759	235,129
PS Letlhabi	153,015	59,210	26,239	23,070	261,534
PM. Gwebu	137,571	53,154	23,645	20,759	235,129
S Mathatho	153,015	59,210	26,239	23,070	261,534
JM. Mohomana	137,571	53,154	23,645	20,759	235,129
MG. Molefe	137,571	53,154	23,645	20,759	235,129
MM. Chauke	137,571	53,154	23,645	20,759	235,129
LK. Mokadi	153,015	59,210	26,239	23,070	261,534
MG. Madumo	137,571	53,154	23,645	20,759	235,129
J Makhubela	153,595	59,210	26,239	23,070	262,114
S Nkwana	137,571	53,154	23,645	20,759	235,129
MA. Mathe	140,187	53,154	23,645	20,759	237,745
MR. Motsepe	137,571	53,154	24,611	20,759	236,095
SP. Molomo	137,571	53,154	22,679	20,759	234,163
WM. Ntseke	137,571	53,154	23,645	14,075	228,445
PP. Mahlangu	137,571	53,154	23,645	20,759	235,129
K Maluleka	153,015	59,210	26,239	23,070	261,534
SI. Mokgara	137,571	53,154	23,645	20,759	235,129
NR. Tseke	153,015	59,210	26,239	23,070	261,534
KO Moraka	153,015	59,210	26,239	23,070	261,534
BW Baloyi	181,600	69,537	26,239	26,726	304,102
MA. Ramadi	153,015	59,210	26,239	23,070	261,534

27. Remuneration of councillors (continued)

GM. Makhathulela	153,015	59,210	26,239	23,070	261,534
RC. Lekalakala	137,571	53,154	23,645	20,759	235,129
ME. Mosipa	153,015	59,210	23,645	23,070	258,940
SA. Kutumela	137,571	53,154	23,645	20,759	235,129
SJ. Modisa	137,571	53,154	23,645	20,759	235,129
SR. Magalefa	137,571	53,154	23,645	20,759	235,129
ET. Mahlangu	137,571	53,154	23,645	20,759	235,129
CM. Shai	137,571	53,154	23,645	20,759	235,129
RME. Kutumela	137,571	53,154	23,645	20,759	235,129
EL. Moselane	137,571	53,154	23,645	20,759	235,129
GM. Modiba	137,571	53,154	23,645	20,759	235,129
W. Mavundla	137,571	53,154	23,645	20,759	235,129
TE. Hlongwane	137,571	53,154	23,645	20,759	235,129
MC. Mpande	137,571	53,154	23,645	20,759	235,129
TT Ngobeni	153,015	59,210	26,239	23,070	261,534
DBS. Mbekwa	116,601	44,930	20,122	17,608	199,261
PS Mabatle	73,408	28,560	12,234	10,924	125,126
MA Mogale	20,970	8,224	3,523	3,151	35,868
MB Maluleka	17,799	6,535	2,908	1,821	29,063
RH Rapholo	17,219	6,535	2,908	1,821	28,483
ME Molobi	17,799	6,535	2,908	1,821	29,063
ML Maimane	17,799	6,535	2,908	1,821	29,063
RH Matheba	17,799	6,535	2,908	1,821	29,063
DN Seemela	17,799	6,535	2,908	1,821	29,063
MT Rampou	17,799	6,535	2,908	1,821	29,063
MM Bhiya	17,799	5,020	4,298	1,821	28,938
ME Songola	17,219	6,535	2,908	1,821	28,483
MN Kgoele	17,799	6,535	2,908	1,821	29,063
KJ Golele	17,219	6,535	2,908	1,821	28,483
MM Moetji	17,799	6,535	2,908	1,821	29,063
KR Mokondo	17,799	6,535	2,908	1,821	29,063
JR Maswanganye	17,799	6,535	2,908	1,821	29,063
ME Motselele	17,799	6,535	2,908	1,821	29,063
DM Makgamatho	17,799	6,535	2,908	1,821	29,063
P Moloisane	17,799	6,535	2,908	1,821	29,063
SM Semenya	17,799	6,535	2,908	1,821	29,063
MM Rambawa	17,799	6,535	2,908	1,821	29,063
MM Lehele	17,799	6,535	2,908	1,821	29,063
RJ Mosupye	17,799	6,535	2,908	1,821	29,063
RAM Kekana	17,799	6,535	2,908	1,821	29,063
O Mashabane	17,799	6,535	2,908	1,821	29,063
SM Matlou	17,799	6,535	2,908	1,821	29,063
MN Mokgotho	17,799	6,535	2,908	1,821	29,063
PL Maodi	17,799	6,535	2,908	1,821	29,063
	6,391,962	**2,459,268**	**1,087,211**	**934,093**	**10,872,534**

2016 - Mayor	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical aid**	**Total**
Lehari JS	168,812	69,515	9,021	48,256	295,604
Motsepe KL	290,439	116,080	14,273	46,213	467,005
	459,251	**185,595**	**23,294**	**94,469**	**762,609**

2016 - Speaker	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical aid**	**Total**
Magongwa JL	373,327	151,608	24,468	69,104	618,507

2016 - Single whip	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical aid**	**Total**

27. Remuneration of councillors (continued)

Molefe KJ	349,992	142,128	24,468	63,798	580,386

2016 - EXCO committee	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
Kau MJ	326,655	132,648	24,468	59,545	543,316
Mboweni EG	349,992	142,128	24,468	65,079	581,667
Motsepe KL	134,720	56,135	10,195	29,390	230,440
Makwela JM	349,992	142,128	24,468	63,798	580,386
Mangema BM	349,992	142,128	24,468	63,798	580,386
Monaheng MA	349,992	142,128	24,468	63,798	580,386
Sekhaolela TL	349,992	142,128	24,468	63,798	580,386
Makhudu MP	349,992	142,128	24,468	64,441	581,029
Letebele LM	349,992	142,128	24,468	64,554	581,142
Mleta NK	349,992	142,128	24,468	63,798	580,386
	3,261,311	**1,325,807**	**230,407**	**601,999**	**5,419,524**

2016 - Councillors	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
Maluleka MB	140,658	57,120	24,468	26,729	248,975
Rapholo RH	140,658	57,120	24,468	25,562	247,808
Molobi ME	140,658	57,120	24,468	25,562	247,808
Maimane ML	140,658	57,120	24,468	25,562	247,808
Makhathulela GM	140,658	57,120	24,468	25,562	247,808
Seemela DN	140,658	57,120	24,468	25,562	247,808
Rampou MT	140,658	57,120	24,468	25,562	247,808
Bhiya MM	140,658	57,120	24,468	25,562	247,808
Songola ME	140,658	57,120	24,468	25,562	247,808
Kgoele MN	140,658	57,120	24,468	25,562	247,808
Golele KJ	140,658	57,120	24,468	25,562	247,808
Mokadi LK	140,658	57,120	24,468	25,562	247,808
Moeji MM	140,658	57,120	24,468	25,562	247,808
Mokondo KR	140,658	57,120	24,468	25,562	247,808
Mosipa ME	140,658	57,120	24,468	25,562	247,808
Maswanganye JR	140,658	57,120	24,468	25,562	247,808
Moraka KO	140,658	57,120	24,468	25,562	247,808
Mogale MA	116,382	47,600	20,390	22,921	207,293
Motselele ME	140,658	57,120	24,468	25,562	247,808
Makgamatho DM	140,658	57,120	24,468	25,562	247,808
Ramadi MA	140,658	57,120	24,468	25,562	247,808
Mabika DM	140,658	57,120	24,468	25,562	247,808
Mathatho S	140,658	57,120	24,468	25,562	247,808
Letlhabi PS	140,658	57,120	24,468	25,562	247,808
Moloisane P	140,658	57,120	24,468	25,562	247,808
Semenya SM	140,658	57,120	24,468	25,562	247,808
Makhubela J	140,658	57,120	24,468	25,562	247,808
Rambawa MM	140,658	57,120	24,468	26,205	248,451
Mabatle PS	140,658	57,120	24,468	25,562	247,808
Lehele MM	140,658	57,120	24,468	25,562	247,808
Mosupye RJ	140,658	57,120	24,468	25,562	247,808
Kekana RAM	140,658	57,120	24,468	25,562	247,808
Ngobeni TT	140,658	57,120	24,468	25,562	247,808
Mashabane O	140,658	57,120	24,468	25,562	247,808
Matlou SM	140,658	57,120	24,468	25,562	247,808
Tseke NR	65,106	25,532	10,937	9,104	110,679
Makgotho MN	36,414	14,280	6,117	5,462	62,273
Maluleka K	129,234	52,360	22,429	11,424	215,447
Maodi PL	36,414	14,280	6,117	3,641	60,452
Matheba RH	140,658	57,120	24,468	25,562	247,808

Notes to the Annual Financial Statements

Figures in Rand				2017	2016

27. Remuneration of councillors (continued)

	5,306,580	**2,153,252**	**922,370**	**949,032**	**9,331,234**

28. Depreciation and amortisation

Property, plant and equipment	62,901,184	36,083,655

29. Impairment of assets

Impairments		
Trade and other receivables	52,041,197	51,867,281
Recoverability of receivables from exchange transactions were assessed and provision for impairment were identified.		
	52,041,197	51,867,281
	-	-

30. Finance costs

Finance leases	18,382,281	2,876,737
Bank	1	6,736
Other interest paid	-	964,194
	18,382,282	**3,847,667**

31. Bulk purchases

Water	20,645,298	17,767,368

32. Contracted services

Specialist Services	33,642,563	20,361,776
Other Contractors	28,544,772	23,405,738
	62,187,335	**43,767,514**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

33. General expenses

Advertising	280,101	216,785
Auditors remuneration	2,770,329	3,299,987
Bank charges	154,200	169,646
Cleaning	29,370	23,418
Legal fees	5,545,723	7,153,302
Consumables	49,945	96,684
Debt collection	366,905	-
Entertainment	463,027	159,633
Insurance	862,904	790,127
Community development and training	1,073,033	744,809
Conferences and seminars	203,334	247,249
IT expenses	4,672	22,032
Marketing	599,804	584,092
Motor vehicle expenses	51,278	13,000
Fuel and oil	3,023,236	2,439,591
Postage and courier	3,493	154
Printing and stationery	1,139,940	540,233
License fees	791,113	1,075,938
Subscriptions and membership fees	1,423,487	1,088,789
Telephone and fax	3,512,929	1,689,578
Training	2,501,631	1,949,610
Travel - local	2,421,903	1,814,720
Refuse	569,940	6,000
Electricity	1,802,203	1,687,503
Uniforms	-	463,052
Tourism development	(3,940)	1,001,211
Accomodation	1,809,487	870,811
Mayor's special projects	2,448,618	2,738,100
Subsistence and travel	441,249	300,690
Basic Sanitation	19,797,140	21,542,563
Audit Committee expenses	744,296	682,365
Free basic services	12,132,238	10,642,082
Valuation roll expenses	526,316	-
Ward committee stipends	3,920,793	3,663,000
Water tankering	19,857,711	17,130,292
Other expenses	10,898,248	10,272,049
	102,216,656	**95,119,095**

34. Auditors' remuneration

Fees	2,770,329	3,299,987

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

35. Cash generated from operations

Surplus	111,647,078	139,624,951
Adjustments for:		
Depreciation and amortisation	62,901,184	36,083,655
Gain on sale of assets and liabilities	1,822,049	-
Bonus provision	-	311,022
Acturial gains and losses	(76,000)	(461,293)
Impairment deficit	52,041,197	51,867,281
Movements in provisions	595,000	893,293
Leave accrual	-	55,288
Changes in working capital:		
Inventories	(116,208)	(488,198)
Receivables from exchange transactions	(10,237,804)	(73,262,602)
Other receivables from non-exchange transactions	(188,716)	(17,511,656)
Payables from exchange transactions	(9,369,790)	(787,954)
VAT	(12,639,835)	5,254,708
Unspent conditional grants and receipts	28,835,537	940,522
	225,213,692	**142,519,017**

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	31,633,125	31,633,125
Other receivables from non-exchange transactions	17,700,372	17,700,372
Cash and cash equivalents	62,027,897	62,027,897
	111,361,394	**111,361,394**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	72,800,000	72,800,000
Trade and other payables from exchange transactions	49,971,737	49,971,737
	122,771,737	**122,771,737**

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	21,395,321	21,395,321
Other receivables from non-exchange transactions	17,511,656	17,511,656
Cash and cash equivalents	158,396,174	158,396,174
	197,303,151	**197,303,151**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

36. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	148,800,000	148,800,000
Trade and other payables from exchange transactions	59,341,527	59,341,527
	208,141,527	**208,141,527**

37. Commitments

Commitments in respect of Capital expenditure

	2017	2016
Already contracted for but not provided for		
• Approved and contracted for	130,691,269	119,652,438
Total capital commitments		
Already contracted for but not provided for	130,691,269	119,652,438

Authorised operational expenditure

	2017	2016
Already contracted for but not provided for		
• Operating expenditure	29,758,179	58,698,965
Total operational commitments		
Already contracted for but not provided for	29,758,179	58,698,965

Total commitments

	2017	2016
Total commitments		
Authorised capital expenditure	130,691,269	119,652,438
Authorised operational expenditure	29,758,179	58,698,965
	160,449,448	**178,351,403**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. Contingencies

Contingent libilities

CHACHAOKA MANAGEMENT PROJECT CC/ MLM. Application By Chachaoka to set aside disqualification of bid. Pending at North West High Court.	6,450,000	6,450,000
SEPOLWANE & OTHERS / MLM, Claim for damages against MLM. Pending at Regional Court of Moretele.	300,000	300,000
BATHINI SECURITY SERVICES / MLM, Claim for damages against MLM. Pending at High Court Mafikeng	421,061	421,061
TIRMAC/ MLM, Claim for damages against MLM. Matter pending at Pretoria High Court	792,763	792,763
Kedibone Chauke/MLM, Labour Court matterwho alleged unfair dismissal, Claims for reinstatement and damages. Matter pending in Labour Court	400,000	280,000
FUMANI HOLDINGS / MLM. Claim damages against MLM, Finalised 3 August 2016	-	2,149,405
Rehabilitation of landfill site, A possible obligation exists for the rehabilitation of the landfill site at Bosplass. PENDING	24,802,305	23,612,248
THUBAKGALE / MLM, Labour Matter, Finalised 20 August 2016	-	1,638,913
THUBAKGALE / MLM, Labour Matter	128,281	-
KHOZA M / MLM,Civil Matter. PENDING	10,000,000	-
	43,294,410	**35,644,390**

Contingent assets

Contingent assets

SIZWE AUCTIONS / MLM, Claim for damages against Sizwe Auctions, Pending at Pretoria High Court.	960,936	960,936

39. Related parties

Relationships

Members of key management	Refer to note
Councillors	Refer to note

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

40. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance that have been affected by prior-year adjustments:

2017

40. Prior period errors (continued)

Statement of Financial Position	As previously reported	Correction of error	Restated
Finance lease receivables	-	13,515,246	13,515,246
Receivables from exchange transactions	21,312,421	82,900	21,395,321
Investment property	-	5,876,000	5,876,000
Receivables from non exchange transactions	18,215,748	(704,092)	17,511,656
Property, plant and equipment	819,055,563	23,002,470	842,058,033
Intangible assets	-	27,112,555	27,112,555
Finance lease obligation	58,646,614	41,407,129	100,053,743
Vat payable	5,895,324	(640,616)	5,254,708
Other financial liabilities	149,607,217	(807,217)	148,800,000
Payables from exchange transactions	67,674,292	(8,332,765)	59,341,527
Accumulated surplu	731,595,133	28,047,487	759,642,620
	1,872,002,312	**128,559,097**	**2,000,561,409**

Statement of Financial Performance	As previously reported	Correction of error	Restated
Service charges	42,446,114	(149,785)	42,296,329
Other income	712,811	892,622	1,605,433
Employee related costs	76,343,326	(138,678)	76,204,648
Remuneration of councillors	18,577,077	(479,980)	18,097,097
Reversal of impairments	51,207,414	659,867	51,867,281
Finance costs	2,076,255	1,771,412	3,847,667
Repairs and maintenance	15,286,352	(14,432)	15,271,920
General expenses	96,933,719	(1,814,627)	95,119,092
Surplus for the year	139,569,770	73,181	139,642,951
	443,152,838	**799,580**	**443,952,418**

Figures in Rand	2017	2016

40. Prior period errors (continued)

Finance lease receivables - Leased Assets that were not received at year end in the 2015/16 FY were rasied as a receivable.

Receivables from exchange transactions - Contingent assets in the prior year were raised as sundry debtors. Incorrect journals were posted against the sundry debtors account and they were reversed

Receivables from non exchange transactions - Recognition of accrued interest on investment at year end..

Investment property - The municipality had in effort for updated and full land ownership list performed a full deeds record inspection of all land in the name of the municipality at the deeds office. Land was subsequently clasified per use and reconciled to the municipal accounting records. Investment Property was recognised at a value of R 5 876 000.

Property, plant and equipment - Recognition of assets that were previously recognised.

Intangible assets and finance lease obligation - Based on the Software Lease Agreement thats included in the outstanding debt owing to Microsoft from Previous years the finance liability should be raised in the 2015/16 FY. The Finance Lease consist of both Prior Years debts owing to Microsoft, R 14 250 600 and Microsoft Licences for a total amount over period of 3 years of R27 112 555.

Vat payable and Trade and other payables - Trade and other payables were previously recognised excluding Vat. Vat of R640 616 was raised to correct the error. Accrued leave and bonus were reclassified from payables to provisions.

Other financial liabilities and accrued interest - Interest accrued on long term loan was capitalised to the capital amount of DBSA loan outstanding. An accrued interest liability was raised to correct the error.

Financial Performance reasons:

Service charges - Adjustments were made on the acounts of service during the prior year that were not recognised previously.

Other income - Contingent assets were raised as debtors and the debtor was brought in against other income.

Employee related costs - adjustments were made on the employee costs to correct errors identified during the audit.

Remuneration of councillors - adjustments were made on the councillors amounts based on the errors identified during the audit.

Debt impairment - Impairment of sundry debtors raised from contingent assets.

Finance costs - Reclassifiction from General expenditure

Repairs and maintanance - reclassification from general expenditure

General expenditure - reclassification to other expenditure votes

Disclosure Notes	**As previously reported**	**Correction of error**	**Restated**
Commitments	125,093,987	53,257,416	178,351,403
Contingent liabilities	14,628,734	21,015,656	35,644,390
Contingent assets	2,180,121	(1,219,185)	960,936
Irregular expenditure	183,001,048	418,103,174	601,104,222
	324,903,890	**491,157,061**	**816,060,951**

41. Comparative figures

Certain comparative figures have been reclassified.

42. Risk management

Financial risk management

42. Risk management (continued)

The municipality’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Financial Risk Management Objectives
The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business,co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitute of risks. These risks include market risk (including currency risk,fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities arenot exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the manucipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and anually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financila Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk
- Liquidity Risk
- Market Risk

Risks and exposures are disclosed as follows:

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or conterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cashflow requirements are met.

42. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

42. Risk management (continued)

Credit risk

42. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Investments/Bank, Cash and Cash Equivalents

Refer to http://www.fidfund.co.za/banking-options/bank-credit-ratings/ for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality’s exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality’s Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due not impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade Receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by “demand for payment”, “restriction of services” and, as a last resort, “handed over for collection”, whichever procedure is applicable in terms of Council’s Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality’s maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties

Figures in Rand	2017	2016

42. Risk management (continued)

having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2017**	**2016**
Receivables from exchange transactions	31,633,125	21,395,321
Receivables from non-exchange transactions	17,700,372	17,511,656
Cash and cash equivalents	60,824,795	158,396,174

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with financial instrument will fluctuate in amount as a result of market interest charges.

Financial Assets and Liabilities that are sensitive to interest risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by “demand for payment”, “restriction of services”, and, as a last resort, “handed over for collection”, whichever procedure is applicable in terms of Council’s Credit Control and Debt Collection Policy at this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

Price Risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

43. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had accumulated surplus of R 871,289,699 and that the municipality's total liabilities exceed its assets by R 871,289,696.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

44. Events after the reporting date

No material events occurred with respect to the 2017/2018 financial year after the date of the statement of financial position in respect of loans, investments and other aspects.

45. Unauthorised expenditure

Opening balance	266,172,670	181,245,080
Unauthorised expenditure - current year	31,076,458	84,927,590
	297,249,128	**266,172,670**

46. Fruitless and wasteful expenditure

Opening balance	11,418,738	11,354,840
Expenditure incurred during the year	1,736,522	63,898
Written off / recovered during the financial year	(7,678,017)	-
	5,477,243	**11,418,738**

47. Irregular expenditure

Opening balance	601,104,221	501,299,446
Add: Irregular Expenditure - current year	138,870,676	99,804,776
	739,974,897	**601,104,222**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
(2000-9999) Minor SCM Compliance	Currently being investigated - No action taken	55,537
(2000-9999) Tax and SCM Regulations	Currently being investigated - No action taken	111,800
(2000-9999) Limitation SCM Compliance	Currently being investigated - No action taken	5,000
(2000-9999) Serious SCM Compliance	Currently being investigated - No action taken	25,543
(10000-30000) Minor SCM Compliance	Currently being investigated - No action taken	569,254
(10000-30000) Tax and SCM Regulations	Currently being investigated - No action taken	121,527
(10000-30000) Limitation SCM Compliance	Currently being investigated - No action taken	307,021
(10000-30000) Serious SCM Compliance	Currently being investigated - No action taken	84,780
(30001-200000) Minor SCM Compliance	Currently being investigated - No action taken	715,291
(30001-200000) Tax and SCM Regulations	Currently being investigated - No action taken	5,870,419
(30001-200000) Limitation SCM Compliance	Currently being investigated - No action taken	1,152,529
(30001-200000) Serious SCM Compliance	Currently being investigated - No action taken	30,445
(Tenders) Regulation SCM Compliance Transgressions	Currently being investigated - No action taken	124,019,590
(Tenders) Proper procurement process not followed	Currently being investigated - No action taken	5,801,940
		138,870,676

47. Irregular expenditure (continued)

Details of irregular expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
(2000-9999) Minor SCM Compliance	Currently being investigated-No action taken	88,902
(2000-9999) Tax and SCM Regulations	Currently being investigated-No action taken	128,635
(2000-9999) Limitation SCM Compliance	Currently being investigated-No action taken	18,586
(10000-30000) Minor SCM compliance	Currently being investigated-No action taken	168,882
(10000-30000) Tax and SCM compliance	Currently being investigated-No action taken	411,355
(10000-30000) Limitation SCM compliance	Currently being investigated-No action taken	226,910
(30001-200000) Minor SCM Compliance	Currently being investigated-No action taken	82,802
(30001-200000) Tax and SCM Compliance	Currently being investigated-No action taken	302,030
(30001-200000) Limitation SCM Compliance	Currently being investigated-No action taken	201,675
(Tenders) Regulation SCM ComplianceTransgressions	Currently being investigated-No action taken	8,932,592
(Tenders) Proper procurement processes not followed	Currently being investigated-No action taken	8,947,412
Missing vouchers	Currently being investigated-No action taken	401,072
(Capital Projects) No contracts and appointment letters	Currently being investigated-No action taken	43,288,892
(Tenders) Regulation SCM Compliance - completeness	Currently being investigated-No action taken	36,605,031
		99,804,776

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2017	2016
Current year subscription / fee	1,011,010	1,079,623
Amount paid - current year	(1,011,010)	(1,079,623)
	-	-

Bulk Water Losses in terms of Section 125 (2)(d)(i) of the MFMA	Units (kl)	Units (kl)
Water	-	-
Purchased during the year	2,890,507	2,912,798
Sold during the year	(1,210,934)	(1,327,598)
Unaccounted - Normal distribution losses - % of water (2017 - 9%) , (2016 - 14%)	1,679,573	1,585,200
	265,152	397,924
Loss (R) : At Cost	**1,702,276**	**2,509,556**

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Audit fees

	2017	2016
Current year subscription / fee	2,770,329	3,299,987
Amount paid - current year	(2,770,329)	(3,299,987)
	-	-

PAYE and UIF

	2017	2016
Opening balance	-	342,344
Current year subscription / fee	17,590,592	15,356,432
Amount paid - current year	(17,590,592)	(15,698,776)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	19,264,993	13,547,463
Amount paid - current year	(19,264,993)	(13,547,463)
	-	-

VAT

VAT receivable	7,380,155	-
VAT payable	-	5,254,708
	7,380,155	**5,254,708**

VAT output payables and VAT input receivables are shown in note 7. r

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2017:

June 30, 2017	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Cllr S Kutumela	2	-	2
Cllr G Modiba	498	3,996	4,494
	500	**3,996**	**4,496**

June 30, 2016	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Clr MN Mokgotho	860	2,201	3,061
Clr Maodi	533	5,311	5,844
	1,393	**7,512**	**8,905**

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reasons		
Emergency	2,389,847	2,032,384
Sole supplier	838,641	1,833,647
Impossible or impractical	2,842,334	2,299,405
Special work of art	9,996	32,068
	6,080,818	**6,197,504**

50. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2017	2016

50. Budget differences (continued)

Service Charges – Revenue foregone from A1 schedule (budget document) was deducted from service charge

Rental of facilities-The municipality had two signed contracts with African National Congress and GCIS.GCIS did not renew contract for May and June. The municipality does not control the demand for the use of its facilities; it is used as and when required by external parties.

Interest received from trading activities - The increase is due to the increase of outstanding debtors.

Other income - Over estimated - Unpredictable revenue, revenue include sale of tender documents, clearance certificates and Traffic income.

Interest received Investment - The inflow is due to municipality complying with its cash and investment policy and MIG was withheld from November to December as a result the interest was not earned for that period.

Government grants & subsidies – Unspent portion is made up of MIG and DWAF grants, application for rollover has been prepared. MIG received additional amount of R25 million from Treasury between March and April 2017. In relation to DWA the Municipality has no control over the projects it is done by the Department.

Public contributions and donations - Received a donation in kind in the form of a land, building and other assets from Madibeng Municipality

Personnel – The municipality experienced a delay in filling of vacancies due to the moratorium from COGTA, which was only lifted late in the financial year.

Remuneration of councillors - The process of refilling councillors' positions is outside the control of the municipality and council. The upper limits was only paid to ordinary councillors. EXCO members, Speaker and Mayor did not receive the increase hence there is a saving.

Impairment loss / reversal of impairment - The municipality have a huge debtor's book and interest is also charged. The households holds a bigger portion of the debt. The most households within Moretele jurisdiction are indigents and the municipality would not be able to pay for this services.

Finance cost – this as a results of finance lease interest being incorrectly classified under finance lease in the 2016/17 budget. The interest on DBSA loan and other bank charges were correctly budgeted.

Repairs and maintenance – Portion of repairs and maintenance is reclassified as replacement/refurbishment of assets. Repairs and maintenance is done when it is required. Municipality has water and sanitation, roads and electricity maintenance plan. This will in future informs how the budget is allocated.

Bulk purchases - There was a decrease in Bulk water purchased from City of Tshwane (COT) Metropolitan to the area under the municipalities jurisdiction. COT has water capacity problems and priority was given to its citizens. There is upgrade project in progress to increase storage at Temba, the projects has not yet been completed since the COT account is still below the anticipated amount

Contracted services - …Included is professional/consulting fees which was budgeted under general expenses and actual figures were reclassified under contracted services.

General expenses – It include Basic sanitation and professional expenditure was budgeted under general expenses but there expenses was incurred under contracted services.